



NEDBANK
PRIVATE WEALTH
SINCE 1834

PRIVATE WEALTH PROPERTY EQUITY FUND

Q1 2021

see money differently

MARKET REVIEW

The listed property sector (as measured by the All Property Index) posted a decent 8.05% return in the first quarter of 2021, continuing its gains from the last quarter of 2020. This rally has largely been driven by positive developments in the rollout of Covid-19 vaccines, which allayed fears of further hard country lockdowns. Property fundamentals remain under pressure however, as is evidenced by the operational performance of listed property stocks. Growthpoint Properties reported interim results for the period ended 31 December 2020; delivering -31.0% and -36.5% growth in distributable income per share and SA REIT FFO per share respectively. The dividend per share, after adopting a 80% pay-out ratio, declined by 44.8% to 58.5cps. The negative performance reflects a tough operating environment which was exacerbated by Covid-19 related lockdown restrictions that disrupted trading mainly in the retail portfolio, particularly at the V&A Waterfront. The dividend was also negatively impacted by the adoption of a pay-out ratio, and by the increase in number of shares in issue post a capital raise in November 2020. Resilient REIT also reported interim results for the period ended 31 December 2020. A dividend of 202.7cps was declared, which is 24.4% lower than the comparable period. Dividends were negatively impacted by, amongst other factors, a reduction in income received from its direct portfolio due to Coronavirus-related tenant relief, a reduction in dividends received from the listed portfolio, and by the cancellation of cross-currency interest rate swaps. Attacq REIT also reported interim results. Distributable income per share declined by 57.5% to 21.1cps, mainly due to rental discounts granted to tenants, and due to MAS Real Estate not declaring a final dividend for FY20. Fortress REIT was also one of the stocks that reported in the quarter. No dividend was declared for neither the A nor the B share. Ordinarily, the A share has a preferential claim on dividends. The FFA dividend can however only be paid should the distributable income earned in a period be sufficient to cover the FFA entitlement as stipulated in the Memorandum of Incorporation (MOI). For this interim period, the FFA entitlement amounted to R954.5m (80.1cps) whereas available distributable income was merely R820.5m. Fortress was therefore unable to pay the FFA dividend given this shortfall.

FUND PERFORMANCE

The All Property Index (J803) delivered an 8.05% return in the first quarter of 2021. The Nedgroup Investment Private Wealth Property Equity Fund returned 10.74% over the period, outperforming its benchmark.

The top contributors to performance over the quarter were overweight positions in Tsogo Sun Hotels (+1.18%), Hammerson (+1.11%) and Dipula Income B (+0.88%). The main detractors to performance were overweight positions in Storage REIT (-0.50%) and Safari Investments (-0.42%), and the underweight position in Redefine Properties (-0.41%).

FUND POSITIONING AND OUTLOOK

The property sector has recovered meaningfully since the first quarter of 2020. Whilst Coronavirus vaccines have provided the necessary catalyst for its recovery, it is still faced with persistently weak fundamentals that have been worsened by the pandemic. We are therefore of the view that the affordability of rentals and, in turn, the sustainability of cashflows, will be an even more important consideration in stock-selection going forward. Balance sheet strength also continues to be a key consideration. Progress has been made by the sector to repair balance sheets over the last few months, but not enough headroom has been built to provide the required margin of safety to safeguard against significant asset write-downs. We therefore expect property counters to continue to prioritise balance sheet strength over paying dividends over the medium-term.

The fund continues to maintain large overweight positions in stocks that have relied more on fundamental drivers of income growth than on once-off gains, and to those that have healthy balance sheets. The fund manager is of the view that defensive and prudently managed portfolios, at appropriate prices, will deliver superior performance over the medium-term compared to peers that trade at similar valuations but on lower quality income streams.



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MARCH 2021

RISK RATING



RISK REWARD PROFILE

Property investments are volatile by nature and subject to potential capital loss. The portfolio is suitable for investors who require sector specific exposure to real estate securities as part of their overall investment strategy, with both income generation and capital appreciation as their primary goal over the long-term.

GENERAL INFORMATION

BENCHMARK / TARGET RETURN

FTSE/JSE All Property Index (J803)
(Effective 01 Sep 2019, previously J253)

INVESTMENT MANAGER ASSET CLASS

Nedgroup Investment Advisors (Pty) Ltd is authorised as a Financial Services Provider under the Financial Advisory and Intermediary Services Act (FSP No. 1652).

ASISA CATEGORY

South African Real Estate General

REGULATION 28 COMPLIANT

No

INCEPTION DATE

01 May 2004

FUND SIZE

R 155 Million

NET ASSET VALUE¹

2309.72 cpu

MINIMUM INVESTMENT

Lump sum: R50,000

INCOME DISTRIBUTION

Frequency: Quarterly

March 2021: 26.90 cpu

Previous 12 months: 88.16 cpu

FEES

Annual management fee (excluding VAT): 0.80%

Total expense ratio 1.00%

Transaction costs 0.18%

Total investment charges³ 1.18%

INVESTMENT APPROACH

The fund is managed on a philosophy of maximizing risk adjusted total returns. Property companies whose yields do not adequately compensate for their risks are avoided. The investment manager adopts both a top-down and bottom-up approach in developing investment strategies. Particular attention is paid to the quality of the property portfolios and balance sheets, and to management incentives and corporate governance.

PORTFOLIO PROFILE

The portfolio is suitable for investors who require sector specific exposure to real estate securities as part of their overall investment strategy, with both income generation and real capital preservation as their primary goal over the long-term.

PERFORMANCE²

Period	Portfolio	Benchmark
1 year pa	31.1%	34.2%
3 Years pa	-11.3%	-12.4%
5 Years pa	-6.4%	-8.7%
7 Years pa	-0.7%	-0.9%
10 Years pa	4.3%	4.6%
Lowest 1 year return	-49.7%	
Highest 1 year return	40.7%	

The annualized total return is the average earned by an investment each year over a given period of time.

PORTFOLIO STRUCTURE



TOP 10 HOLDINGS

Share	Percentage
NEPI Rockcastle Plc	13.2
Resilient Property Income Fund	7.0
Fairvest Property Holdings Ltd	6.5
Stor-Age Property REIT Ltd	5.9
Equites Property Fund Ltd	5.8
Octodec Investments Ltd	4.7
Attacq Limited	4.5
Growthpoint Properties Ltd	4.2
Redefine Properties Ltd	4.1
Fortress Income Fund Ltd - A	4.1
Total	60.0



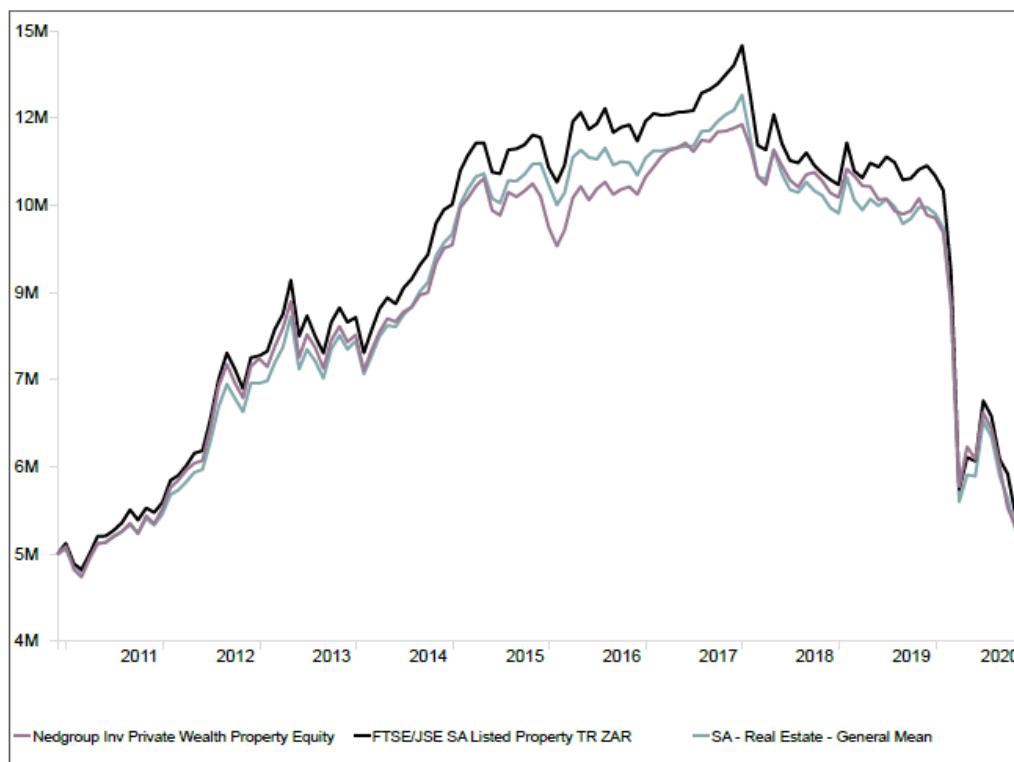
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SINCE INCEPTION CUMULATIVE PORTFOLIO PERFORMANCE

The graph shows growth of R5 000 000 invested in the portfolio plotted against the fund's benchmark the SA Listed Property Index as well as the average of the ASISA South African Real Estate General category.



Source: Morningstar Direct

Mandatory disclosures:

1. Funds are valued daily at 15:00. Instructions must reach us before 14:00 (12:00 for Nedgroup Money Market Fund) to ensure same day value. Daily prices are available on request from your relationship manager.
2. Performance is calculated for the portfolio and individual investment performance may differ as a result of initial fees, the actual investment, the actual investment date, the date of reinvestment and dividend withholding tax. Data source: © 2015 Morningstar.
3. Total Expense Ratio (TER), expressed as a percentage of the Fund, relates to expenses incurred in the administration of the Fund. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's. Transaction Costs (TC), expressed as a percentage of the Fund, relates to the costs incurred in buying and selling the underlying assets of the Fund. TC are a necessary cost in administering the fund and impacts fund returns. It should not be considered in isolation as returns may be impacted by other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER. The Total Investment Charges expressed as a percentage of the Fund, relates to all investments costs of the Fund. Both the TER and TC of the Fund is calculated on an annualised basis, beginning January 2018 and ending December 2020.

Whilst Nedbank Private Wealth offers you a choice of investment services, the underlying funds forming part of Nedbank Private Wealth strategy solution, are managed by Nedgroup Investments. More specifically, Nedgroup Collective Investments (RF) Proprietary Limited, is the company that is authorised in terms of the Collective Investment Schemes Control Act to administer the Nedgroup Investment Private Wealth unit trust portfolios. It is a member of the Association of Savings & Investment South Africa (ASISA). Contact: Nedgroup Investments, P O Box 1510, Cape Town 8000, info@nedgroupinvestments.co.za, Tel 0860 123 263 (RSA only). The Standard Bank of South Africa Limited is the registered trustee. Contact: Standard Bank, P O Box 54, Cape Town 8000, Trustee-compliance@standardbank.co.za, 021 401 2002.

Unit trusts are generally medium to long term investments. The value of your investment may go down as well as up. Past performance is not necessarily a guide to future performance. Nedgroup investments does not guarantee the performance of your investment and even if forecasts about the expected future performance are included you will carry the investment and market risk, which includes the possibility of losing capital. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. Certain unit trust funds may be subject to currency fluctuations due to its international exposure. Nedgroup Investments has the right to close unit trust funds to new investors in order to manage it more efficiently. A fund of funds may only invest in other unit trust funds, that levy their own charges, which could result in a higher fee structure. A schedule of fees and charges and maximum commissions is available on request from Nedgroup Investments. For further additional information on the fund, including but not limited to, brochures, application forms and the annual report please contact your relationship manager.

Contact

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